

DISABLED VETERAN BUSINESS ENTERPRISE  
CONTRACT PARTICIPATION  
JULY 1, 2004 – JUNE 30, 2005

2004-2005  
ANNUAL REPORT

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CalPERS Business Connection



PUBLIC EMPLOYEES' RETIRMENT SYSTEM  
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SUMMARY OF DISABLED VETERAN BUSINESS ENTERPRISE PARTICIPATION LEVELS

The California Public Employees' Retirement System (CalPERS) adopted the provisions of Public Contract Code § 10115 et seq. in 1990 and, accordingly, established an overall disabled veteran business enterprise (DVBE) contract participation level of three percent.

*Attachment 1* (Contracting Activity Report / STD 810) summarizes the level of DVBE contract participation CalPERS achieved during Fiscal Year (FY) 2004-2005. The data reflects participation using CalPERS Board of Administration reporting criteria, which includes multi-year contracts that were in force during the reporting period, but were not executed in the same period. This differs from the Department of General Services (DGS) reporting criteria, which asks for "the total value, in whole dollar amounts, of all contracts with any non-governmental entity, issued or charged during the reporting period, for each category..."

Part 1 of the Contracting Activity Report highlights CalPERS utilization of DVBEs during FY 2004-2005:

- 0.49% DVBE participation level for all contracting activity (combined contracting volume of all goods, services and construction activity)
- 3.16% DVBE participation level for the procurement of goods
- 3.78% DVBE participation level for goods purchase order amounts under \$25,000
- 4.05% overall DVBE participation level for all contracts under \$25,000 (combined contracting volume of all goods, services and construction activity)

While 0.49% is a decrease in overall participation for FY 2004-2005 versus 1.5% for FY 2003-2004, this is still higher than other previous years, using DGS reporting criteria (99/00 = .06%, 00/01 = .14%, 01/02 = 1.43%, and 02/03 = .09%). The major contributors to the reduction for 2004-2005 can be attributed to Investment, Health, Legal, and Public Affairs service contracts, which comprised 93% of the total service contracts. The IT – related contracts for goods and services had a positive impact on our overall rate with 3.16% and 3.78% participation rates, respectively.

In comparing the report for the aforementioned FY's, the significant increase in total contract dollars for FY 2004-2005 can be attributed to the following:

- Large multi-year contracts executed in previous years with dollars in 2004-2005 (primarily Health program contracts and construction amendments)
- Investment Office contracts that reflected zero dollars at execution but have since established value because contract value is determined by amount of performance fees paid.
- Legal Office contracts that are executed as zero dollar contracts with amounts determined upon request and receipt of services, where those services have been received.

- Public Affairs pool contracts executed as 0 dollar contracts with amounts determined via services delivered by letter of engagement process, where services have been delivered.

## INVESTMENT RELATED PARTICIPATION

As part of CalPERS' effort to diversify investment strategies, the Board approved contracting with external investment management firms for management of domestic and international equities, global fixed-income securities, and alternative/private equity investments. Investment managers are not awarded set dollar contracts, but rather the investment managers are provided assets to manage. The investment managers earn a fee based on the assets and depending on the market, those assets can go up and down. The information that is captured and reported is the total DVBE participation for those commissions to the investment managers. As of June 30, 2005 domestic and international equities comprised 66.9% or \$127.1 billion, of CalPERS total portfolio market value of \$189.9 billion. Of this \$127.1 billion, external managers were responsible for 51.7% of total equities equaling \$65.7 billion.

### ***External Money Managers***

The Standard 2 contract establishes manager compensation as a combination of base fees plus performance incentives. CalPERS Investment Office encourages external money managers to utilize certified DVBE firms for trading activity. CalPERS provides external managers with a list of certified DVBE firms and a chart denoting the instruments each firm can trade. Each DVBE has submitted documentation to CalPERS showing that they are members of the National Association of Securities Dealers (NASD) and the Securities Exchange Commission (SEC). They must also submit proof of ownership and certify that they are a disabled veteran-owned firm.

### ***Real Estate Advisors / Property Managers***

All Real Estate equity partners managing 100% equity-owned property for CalPERS are required to comply with the DVBE contracting goals by awarding a percentage of their contracts at the property and corporate level to DVBE firms. Advisors report their accomplishments to CalPERS annually. Property expenditures are not paid under direct contracts to their advisors/property managers and therefore the DVBE participation volumes are not part of the STD 810 report. While this is not part of the STD 810 report, CalPERS Real Estate Division is keeping track of the qualifying DVBE participation levels which are summarized in *Attachment 2*.

## CalPERS' EFFORTS TO INCREASE DVBE PARTICIPATION

Having adopted resolution 92-04B-7, CalPERS' Board of Administration remains committed to establishing an aggressive and proactive outreach program that targets all who wish to do business with CalPERS, including new, emerging and small businesses. CalPERS has employed a full-time Business Liaison since November 2001 to serve as the outreach coordinator for the CalPERS Business Connection Program.

Focused efforts on increasing DVBE participation levels include:

1. Encourage eligible CalPERS vendors to become certified via DGS

2. Encourage CalPERS staff to utilize certified small businesses for products currently being provided by non-certified companies, providing that products/services, pricing, distribution and service levels are comparable.
3. Convene a committee of CalPERS' contract / procurement analysts and team together in preliminary phases of Request For Proposals (RFP) and Invitation For Bids (IFB) to help identify certified firms for prime contracting or subcontracting opportunities.
4. Continue to provide service to CalPERS Procurement and Asset Management Section's buyers and encourage them to utilize CalPERS' database of certified vendors.
5. Utilize internal communication avenues to highlight success stories of how CalPERS is currently using certified companies and to encourage further utilization of these certified firms in all of CalPERS' divisions.
6. Participate in business tradeshow, conventions and events to promote CalPERS' contracting opportunities (oftentimes partnering with the Department of Veterans Affairs and/or DGS).
7. Provide internal training to various CalPERS divisions to enhance awareness and understanding of the Small Business / DVBE program and to promote services offered by the CalPERS Business Connection Program.